

Chapter II

Selection of Beneficiaries and Planning

2.1 Selection of beneficiaries

Selection of beneficiaries under the scheme was carried out through Urban Ashraya Committees³ headed by local MLA of the constituency. Audit observed that beneficiary selection mechanism was not effective as it failed to ensure houses to all the houseless while many ineligible beneficiaries were provided benefit under the scheme as explained below:

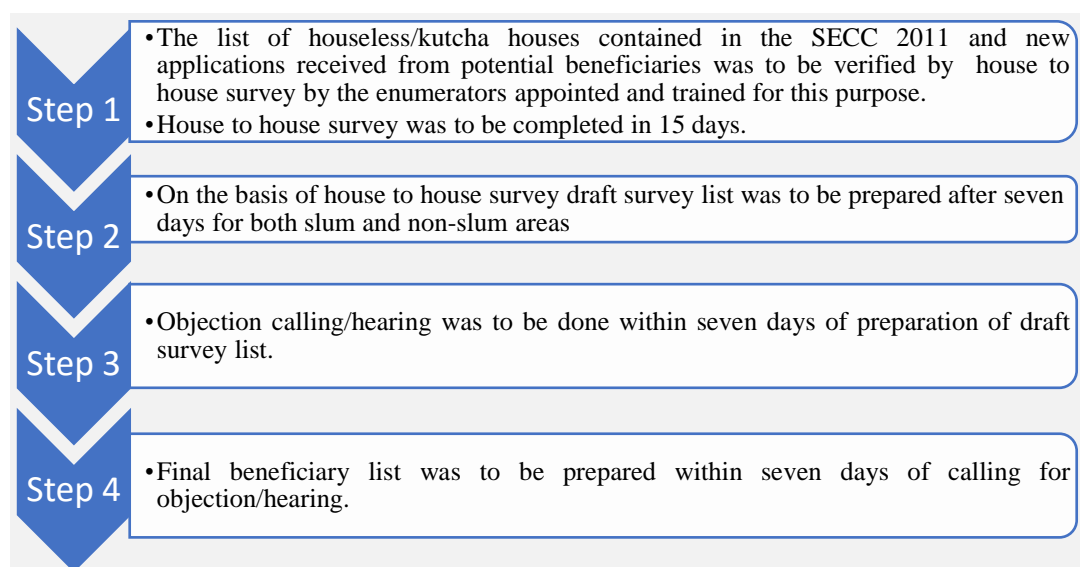
2.1.1 Conducting Demand Survey

As per the PMAY(U) guidelines, conducting of demand survey was the first step in the implementation of the scheme. Paragraph 8.3 of scheme guidelines envisaged that cities would undertake a demand survey for assessing the actual demand of housing which formed the basis for preparation of HFAPoA. Actual beneficiaries of the scheme were drawn from the prospective beneficiary list prepared through demand survey. The deficiencies observed in conduct of the survey are brought out in the succeeding paragraphs:

2.1.1.1 Due process not followed

State Government issued (June 2016) detailed instructions for conducting of demand survey. The steps suggested in the guidelines are indicated in **chart 2.1**:

Chart 2.1: Sequential process for demand survey



Audit observed that 47 out of 273 ULBs did not incur any expenditure for conducting the demand survey. These ULBs returned the one-time grants released for conducting the survey amounting to ₹ 2.56 crore to SLNA. In respect of Lingasuguru ULB, funds released (January 2017) amounting to ₹ 5.25

³ A committee comprising of official and non-official members who finally approves the list of beneficiaries identified by the Urban Local Bodies through demand survey

lakh was wrongly credited to the account of a private person. The amount was yet to be recovered (September 2021).

On scrutiny of records maintained at test checked 36 ULBs, Audit further observed the following:

- The ULBs did not have the details of people who were homeless or living in kutcha houses as per the Socio-Economic Caste Census (SECC), 2011. In 11⁴ ULBs the number of households visited by the enumerators was less than actual number of beneficiaries included in the demand survey. Out of 803 beneficiaries surveyed in 36 ULBs, 359 beneficiaries (45 per cent) responded that no official from ULB/KSDB visited their houses for any kind of survey and they got information about the scheme from their local representatives and applied for availing benefit by directly visiting the ULB /KSDB offices.
- Three⁵ out of 36 test checked ULBs did not incur any expenditure for conducting demand survey. Town Municipal Council, Indi failed to produce any records in support of demand survey conducted.
- None of the selected ULBs produced records in support of calling for objection/hearing to the draft survey list before finalizing beneficiary list.
- None of the test checked ULBs conducted training programmes for enumerators.

Thus, the demand survey was conducted without following the procedure prescribed by State Government which carried the risk of exclusion of eligible beneficiaries. The fact that only 13.72 lakh prospective beneficiaries were identified (March 2021) through demand survey, as against 20.35 lakh people requiring affordable housing as projected in KAHP, 2016 indicated significant exclusion of eligible beneficiaries in the survey.

The State Government replied (September 2021) that ULBs utilised their own resources and available staff for conducting survey, instead of appointing enumerators. The fact remains that the conduct of survey without following the prescribed procedures and non-deployment of trained enumerators rendered the demand survey data base inaccurate and incomplete. This resulted in the under achievement of the desired benefits of the scheme as discussed below:

2.1.1.2 Incomplete information in the Demand Survey Database

Paragraph 8.3 of PMAY (U) scheme guidelines prescribed the following mandatory information regarding beneficiaries to be collected during demand survey:

- ownership details of existing house
- type of house based on roofing
- name and age of the family members along with relationship to head of family
- details of ownership of residential property anywhere in India

⁴ Bidar, Bilagi, Chikanayakanahalli, Chittaguppa, Humnabad, Kunigal, Madhugiri, Nagamangala, Pavgada, Srirangapatna and Yelandur

⁵ Anekal, Kamalapur and Mandya

- employment status of beneficiaries

On examination of demand survey database, Audit observed that none of above mandatory information prescribed in the guidelines were available in the database.

The benefits under AHP and BLC vertical were limited to BPL and EWS population. Audit observed that in respect of only 4.19 lakh out of 13.72 lakh (31 *per cent*) beneficiaries, documents such as BPL ration card, income certificate etc. were collected during the demand survey to assess their economic eligibility.

The State Government in its reply (September 2021) accepted that mandatory details were not collected due to lack of proper training to the enumerators and that the information were subsequently collected during attachment of the beneficiaries to the projects.

The reply underscores the violation of the guidelines which prescribed mandatory training for enumerators, in the absence of which the survey exercise was rendered inadequate. Audit observed that documents supporting economic eligibility were not available for 2.30 lakh out of 3.43 lakh (67 *per cent*) attached beneficiaries.

2.1.1.3 Non-completion of demand survey within the prescribed time limit

As per the paragraph 2.3 of module for preparation of HFAPoA issued by the MoHUA, the States were advised to decide a cut-off date for receiving applications for housing under the scheme so that demand assessment was completed in specified time frame and did not become an ongoing exercise. In adherence to the above, State Government prescribed (June 2016) that the whole process of assessing demand for the scheme should be completed within 15 days of taking up the demand survey. However, in contravention of the above, beneficiaries were being added to the demand list till date (March 2021). Audit observed that 6.72 lakh out of 13.72 lakh (49 *per cent*) beneficiaries were added to the demand list during 2017-21. Thus, the assessment of demand has become an ongoing exercise which affected the strategic planning, setting of annual targets and allocation of resources for achieving the mission goal by 2022.

The State Government replied (September 2021) that GoI instructions were not mandatory and allowed receipt of applications from beneficiaries after the cut-off date.

The reply was not acceptable as CSMC had prescribed (April 2016) that the demand survey was to be completed by June 2016 and emphasised the finalisation of beneficiary list as early as possible in all subsequent meetings. Thus, the relaxations provided by GoI were exemptions due to the failure of State Government in finalising the beneficiary list and cannot be accepted as reason for adding around 49 per cent beneficiaries after the prescribed cut-off date. The delay in firming up the requirement of Dwelling Units (DUs) affected the planning process, allocation of resources and fixing of targets of completion for meeting the demand.

2.2 Attachment of beneficiaries to projects

Beneficiary attachment was the process where beneficiaries from the demand survey were appended to the approved projects under the scheme component. After attachment, prospective beneficiary in the demand survey became actual beneficiary of the scheme. The beneficiaries were to be attached to the projects after conducting validation using unique identification numbers such as Aadhaar to preclude chances of duplicate payments. Audit observed that out of 5.17 lakh beneficiaries approved under 2472 projects under AHP and BLC verticals, only 3.43 lakh beneficiaries (66 per cent) were attached till March 2021. The shortfall in attachment and deficiencies in the attachment process resulted in duplication of benefits to the beneficiaries as observed below:

2.2.1. Extension of multiple benefits under same/different verticals due to non-attachment

Paragraph 8.12 of PMAY(U) scheme guidelines stipulate that a beneficiary was eligible for availing only a single benefit under any of the existing verticals of the scheme. To ensure the above, the beneficiaries were to be attached to the approved projects through validation using unique identification numbers. Audit observed that 206 beneficiaries who were attached under BLC verticals were extended benefits under AHP projects implemented by KSDB without carrying out attachment through validation. Out of the above 206 beneficiaries, 38 beneficiaries (**details in Appendix 2.1**) had received monetary benefits amounting to ₹ 0.91 crore under BLC vertical. The above 38 beneficiaries received benefits under both AHP (houses) and BLC (money) verticals in violation of scheme guidelines. The ULB wise number of beneficiaries who received payment under BLC vertical and houses under AHP vertical is illustrated in the table below:

Table 2.1: Details of ULB wise number of beneficiaries who received multiple benefits

Sl No	Name of ULB	No. of beneficiaries who received multiple benefits	Amount received under BLC (₹ in lakh)	Houses allotted under AHP
1	Chikkodi	8	25.08	8
2	Gokak	4	8.99	4
3	Indi	3	3.87	3
4	Kadur	2	2.10	2
5	Kunigal	3	3.97	3
6	Maddur	2	5.70	2
7	Madhugiri	2	4.65	2
8	Malavalli	4	9.74	4
9	Pavagada	2	6.60	2
10	Ramdurg	3	6.40	3
11	Sagar	2	6.00	2
12	Shivamogga	1	3.30	1
13	Sira	2	4.50	2
	Total	38	90.90	38

Source: Information derived from data furnished by RGHCL

Similar audit analysis of benefits provided under 38 test checked AHP projects implemented by KSDB revealed that there was duplication of benefits in 86

cases (**Appendix 2.2**) which was a direct consequence of non-attachment of beneficiaries.

2.2.2 Irregular extension of benefits to spouses of beneficiaries who were already allotted houses under the scheme.

As per paragraph 1.3 of PMAY(U) scheme guidelines beneficiary family consists of husband, wife and unmarried children. The beneficiary family should not own a pucca house either in his/her name or in the name of any member of his/her family in any part of India. PMAY MIS manual prescribed that for attachment of married beneficiaries, details of spouse information along with Aadhaar validation of spouse details was mandatory to prevent allotment of houses for both husband and wife.

Audit observed that details of information pertaining to the spouse was not captured in the attached beneficiary data. On cross examination of records related to implementation of AHP projects of KSDB and BLC projects in Vijayapura city, Audit observed that spouses of 21 BLC beneficiaries were attached as beneficiary under AHP vertical and availed benefits under this vertical also (**Appendix 2.3**). This indicated that while validating beneficiary under a scheme vertical, the Aadhaar details of spouse was not considered, facilitating the spouse to claim benefits under a different vertical of the scheme which was irregular.

The State Government replied (September 2021) that shortfall in attachment of beneficiaries under AHP projects was due to selection of new beneficiaries who were ready to pay the beneficiary contribution and that approval for beneficiary modification would be obtained from CSMC. It was also stated that action would be taken to cancel allotments in cases where the members of the same family were allotted multiple houses.

The reply cannot be accepted as the extension of benefits to these ineligible beneficiaries were in contravention of scheme guidelines and resulted in duplication of benefits.

2.3 Selection of beneficiaries outside demand survey

The DPRs of AHP Projects approved by the CSMC contained approved beneficiaries who were drawn from the list of prospective beneficiaries identified through demand survey conducted by the ULBs. As per the PMAY MIS manual, the revision of the project required the approval of CSMC and the ULBs could only remove beneficiaries during project revision. Addition of new beneficiaries was not allowed during project revision. Audit carried out cross examination of beneficiary lists of 35⁶ approved DPRs of test checked AHP projects with the details of actual recipients of scheme benefits and observed the following:

- Only 1600 out of 12979 (12 *per cent*) of original beneficiaries approved by CSMC and attached to approved projects were provided actual benefits under the scheme. Thus, 88 *per cent* of recipients of scheme benefits were selected outside the approved DPRs. However, the addition of new

⁶ Except KR Puram, Sira and Madhugiri

beneficiaries was carried out without approval of CSMC in violation of PMAY MIS manual.

- Out of 10188 recipients of scheme benefits, 4446 recipients (44 *per cent*) were not even part of prospective beneficiary list derived through demand survey.

Audit also observed that in 20 ULBs (**Appendix 2.4**), the approved DUs were more than the prospective beneficiaries identified in the demand survey of the respective ULB. SLSMC did not exercise due diligence to ensure that the total number of beneficiaries in the approved DPRs did not exceed the total number of beneficiaries identified in the demand survey. This resulted in inclusion of 7640 beneficiaries who were not identified in the demand survey under various projects implemented in these ULBs.

The State Government in its reply (September 2021) attributed the variation between beneficiaries identified in demand survey and the actual beneficiaries of the scheme to the following reasons:

- benefits under AHP projects were extended to beneficiaries who came forward to pay the beneficiary contribution, irrespective of whether they were part of the approved DPR list or demand survey beneficiary list.
- The beneficiaries were subsequently added due to their exclusion during the demand survey conducted.

The reply cannot be accepted as the inclusion of new beneficiaries without the approval of CSMC was irregular. The reply also confirms the audit observation regarding exclusion errors due to improper conduct of demand survey by ULBs (**Paragraph 2.1.1.1**). The inclusion of such large number of beneficiaries without following due procedure indicates poor monitoring and resulted in extension of scheme benefits to ineligible beneficiaries as illustrated in the paragraphs below:

2.3.1 Selection of ineligible beneficiaries having income more than rupees three lakh

As per Paragraph 3 of PMAY (U) guidelines, beneficiaries having annual income less than ₹ three lakh (BPL & EWS categories) only, can avail benefits under AHP and BLC verticals. Audit observed that 33 beneficiaries who availed benefits under AHP vertical had also taken benefits under CLSS verticals (**details in Paragraph 5.2**). The annual income of 18 out of the above 33 beneficiaries was more than ₹ three lakh and hence were ineligible to avail benefits under AHP vertical of the scheme.

The State Government accepted (September 2021) the audit observation and stated that instructions were issued (April 2021) to KSDB to remove the beneficiaries who received benefits under CLSS from the AHP projects.

2.3.2 Financial assistance for higher carpet area houses

PMAY (U) supports construction of houses up to 30 square metre carpet area at a unit cost of rupees five lakh per house. On joint inspection of houses constructed under PMAY(U) scheme, Audit observed that 740 out of 1816 (41 *per cent*) houses visited were high cost and multi storeyed buildings whose carpet area was more than 30 square metre prescribed under the scheme (**Picture 2.1**). The quality of construction and size of the buildings suggested that the cost

of construction was more than rupees five lakh indicating deficiencies in assessment of the economic eligibility of these beneficiaries.

Picture: 2.1: DUs having carpet area more than prescribed limits

	
<p>BBMP 762 DUs, Lingrajpuram B' Block Slum AHP Project</p>	<p>BBMP 346 DUs, Sanjeevani Nagar Slum, AHP Project</p>
	
<p>Muddebihal 250 DUs BLC project</p>	<p>Mangaluru 32 DUs BLC Project</p>

The State Government in reply (September 2021) stated that the economic eligibility of the beneficiaries was verified by the respective ULBs during beneficiary selection process. The reply cannot be accepted as audit observed that the ULBs did not exercise due diligence in assessing the economic eligibility of beneficiaries as observed in **Paragraph 2.1.1.2** and responsibility needs to be fixed for the lapses in this regard.

2.3.3 Irregular selection of beneficiaries having pucca houses

Paragraph 1.3 of the scheme guidelines stipulated that the beneficiary family should not own a pucca house either in his/her name or in the name of any member of his/her family in any part of India to be eligible to receive Central assistance under the scheme. Further CSMC prescribed (May 2016) that a project which had already been funded under erstwhile GoI housing schemes like Valmiki Ambedkar Awas Yojana (VAMBAY) should not be considered under PMAY (U).

On a review of specifications of dismantling items included in BOQ, Audit observed that, in 32⁷ out of 38 selected AHP projects KSDB demolished 16641

⁷ In 6 projects the item of dismantling was not included in the contract

pre-existing pucca houses before constructing the new house under PMAY. In two out of the above 32 projects, 155 houses were provided during 2001-2005 under erstwhile VAMBAY & Housing and Urban Development Corporation Ltd (HUDCO) housing schemes of GoI (**Picture 2.2**)

Picture 2.2: Houses provided under VAMBAY scheme proposed to be demolished (Project: BBMP 931 DUs)



The State Government replied (September 2021) that the demolition of old and dilapidated houses of beneficiaries were carried out to facilitate construction of pucca houses under the scheme. The reply cannot be accepted as the item of work specified in BOQ referred to dismantling of pucca structures with masonry, cement concrete, woodwork, steel work etc. and the joint physical verification reports confirmed that houses were not dilapidated.

2.3.4 Extension of benefit to more than one member of same family without verifying the economic eligibility

As per the scheme guidelines, a beneficiary family comprised of husband, wife, unmarried sons and/ or unmarried daughters. An adult earning member (irrespective of marital status) could be treated as a separate household, if he / she did not own a pucca house in his / her name in any part of India, also provided that in the case of a married couple, either of the spouses or both together in joint ownership would be eligible for a single house. In the case of selection of more than one adult earning member per household as beneficiary, the eligibility criteria for such earning members were required to be assessed independently, irrespective of eligibility criteria of the head of the family

On analysis of beneficiary data, Audit found that in respect of 1457 households more than one member of the same family had availed benefit under the scheme. The total payments made to these beneficiaries worked out to ₹ 12.77 crore. In these cases, benefits were provided to other members of the household based on the eligibility criteria of head of the household without assessing the economic eligibility criteria of other members independently.

The State Government replied (September 2021) that scheme guidelines permitted treating an adult earning member as a separate household provided, he/she did not own a pucca house in any part of India. Reply did not address the audit observation regarding non-assessment of the economic eligibility criteria of the additional member independently.

2.3.5 Non-allotment of houses in the name of female head of family

Paragraph 2.5 of scheme guidelines stipulated that the houses constructed with Central assistance should be in the name of the female head of the household or in the joint name of the male head of the household and his wife, and only in cases when there was no adult female member in the family, the house could be in the name of male member of the household.

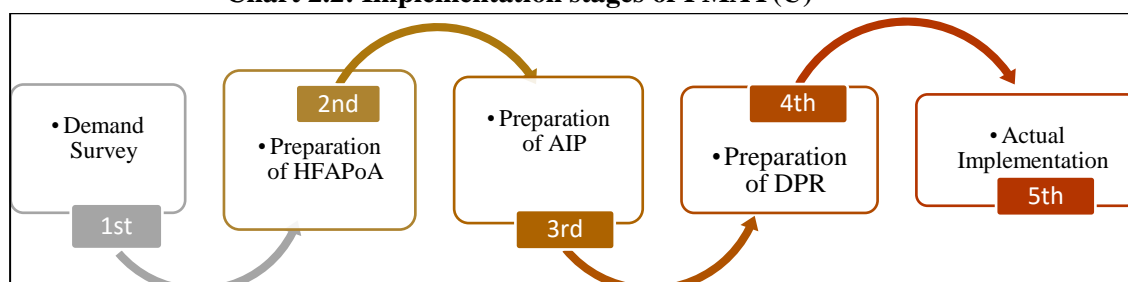
On scrutiny of data of sampled projects, Audit observed that 36 *per cent* of the beneficiaries selected were male head of the family in contravention of guidelines. State Government replied (September 2021) that under state sector schemes dovetailed with PMAY(U) the houses were allotted in the name of the male head of the family as per the state scheme guidelines.

Reply was not acceptable as the State sector schemes which were dovetailed with PMAY (U) and received Central assistance had to follow the guidelines prescribed under PMAY(U).

2.4 Delay in preparation of strategic plan and annual plans

The various implementation stages of PMAY (U) scheme are illustrated in the **chart 2.2** given below:

Chart 2.2: Implementation stages of PMAY(U)



Paragraph 8.3 of scheme guidelines envisage preparation of HFAPoA by ULBs after completion of demand survey. HFAPoA contains the details of demand for housing along with the interventions selected out of four verticals of PMAY (U) and the fund requirement for meeting the demand. Based on HFAPoA, the ULBs were to prepare AIPs containing year-wise targets from 2015 to 2022 keeping in mind the availability of resources and priority. CSMC had prescribed (May 2016) that ULBs must complete demand survey and preparation of HFAPoA within June 2016.

Audit observed that projects were approved and implemented during 2016-20 without preparation of HFAPoA by ULBs. The SLNA entrusted (August 2020) the work of preparation of HFAPoAs of 270 ULBs at a cost of ₹ 7.67 crore to three Consultancy Agencies⁸ which was completed and approved in the 54th CSMC meeting (June 2021). The SLNA made part payment (December 2020 and May 2021) of ₹ 5.79 crore to these agencies. Thus, the preparation of HFAPoAs were completed only after approval (March 2016 to March 2021) of housing projects for 5.17 lakh out of 13.72 lakh beneficiaries identified through demand survey.

⁸ M/s NCPE Infrastructure India (P) Ltd., HUDCO and STESALIT

HFAPoA which served as the strategic plan required to be supplemented with AIPs which prescribed annual goals/targets along with allocation of adequate resources for successful execution of the strategic plan. Audit observed that AIPs were not prepared, yearly targets were not set for taking up projects and milestones were also not prescribed for timely completion of the approved projects.

The preparation of HFAPoA, after five years of implementation of the scheme, served the purpose of documentation alone and did not aid in proper execution of the scheme. The HFAPoA was thus redundant and the expenditure of ₹ 5.79 crore for the exercise was disproportionate to the benefits to be accrued from it. These deficiencies in planning resulted in non-completion of approved DUs and non-allotment (March 2021) of DUs for 8.54 lakh out of 13.72 lakh (62 per cent) houseless prospective beneficiaries identified in the demand survey.

The Government accepting (September 2021) the delay in submission of HFAPoA stated that preparation of the strategic plan after five years of implementation provided an opportunity to re-visit performance of programme in the State which would help in effective implementation of the scheme for balance period. It was also stated that in case of non-submission of HFAPoA, the funds released for the purpose was to be returned with applicable interest to GoI. The reply was not acceptable as planning activities cannot be retrospective and the constraints and corrective steps were to be identified through prescribed monitoring and evaluation mechanisms. The reply also confirms that the preparation of HFAPoA after five years was an adhoc measure to utilise the funds released for the purpose.

2.5 Non-fulfilment of mandatory reforms for growth of housing sector

Availability of urban land is the biggest constraint in providing housing to all including weaker sections. To ease administrative and regulatory bottlenecks in this regard, a set of mandatory reforms were included in the guidelines to facilitate growth of housing sector including affordable housing. The State Government had agreed to fulfil the above mandatory reforms by signing (December 2015) MoU with MoHUA in this regard. Out of the six reforms to be implemented, State Government carried out the reforms detailed in **Table 2.2**.

Table 2.2: Mandatory reforms carried out by State Government

Sl.No	Mandatory Conditions	Status
1	States/UTs shall adopt the approach of deemed building permission and layout approval on the basis of pre-approved lay outs and building plans for EWS/LIG housing or exempt approval for houses below certain built-up area or plot area.	Deemed permission for low risk building with dimension 30X40 or below was included in the Model Building Bylaws 2017
2	State/UTs to make suitable changes in the procedure and rules for obviating the need for separate non-agricultural permission if land already falls in the residential zone earmarked in Master Plan of city or area.	Government Order was issued (August 2014) in this regard.

Source: Information furnished by RGHCL

However, the State Government was yet (September 2021) to complete the following mandatory conditions prescribed in the guidelines. Status of compliance to mandatory conditions is detailed in **Table 2.3**.

Table 2.3 : Mandatory reforms yet to be complied by State Government

Sl.No	Mandatory Conditions	Status
1	A System should be put in place to ensure single-window, time bound clearance for layout approval and building permissions at ULB level.	Not complied with.
2	States/UTs shall prepare/amend their Master Plans earmarking land for Affordable Housing.	Notification issued (January 2015) by the state in this regard was stayed (March 2015) by the honourable High Court of Karnataka on applications filed by private developers. The stay was yet to be vacated (September 2021)
3	States/UTs would either legislate or amend existing rental laws on the lines of model Tenancy Act prepared (June 2021) by MoHUA	State Government was required to legislate rental laws on the lines of model Tenancy Act of GoI
4	States/UTs shall provide additional FAR/FSI/TDR and relax density norms for slum redevelopment and low-cost housing, if required.	Not complied with.

Source: Information furnished by RGHCL

The prescribed reforms were envisaged to encourage private sector participation in the scheme and the slow progress in this regard resulted in non-implementation of ISSR and AHP verticals with private participation envisaged under the scheme. Thus, the State Government failed to create the required regulatory and legal framework for the successful implementation of the scheme as envisioned in the guidelines.

The Government replied (September 2021) that compliance to mandatory conditions was essential for release of third instalment of GoI grants and would be completed to the maximum extent. However, the reply did not mention any plan of action or time frame for completing the mandatory reforms.